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July 28, 2022

Ms. Steffany Powell Coker
Secretary to the Commission
Public Service Commission of Wisconsin
P.O. Box 7854
Madison WI 53707-7854

Subject: Focus on Energy, Quad IV, Docket No. 5-FE-104, Phase II – Franklin Energy Comments

Dear Secretary Powell Coker:

On behalf of Franklin Energy, this transmittal responds to Commission Staff's Focus on Energy Quad IV Phase II Memorandum (the "Memorandum") of July 7, 2022, which presents options for establishing energy savings goals, budgets, program areas of emphasis, cost-effectiveness, and other key matters regarding the implementation of Focus on Energy in the coming years.

Founded in 1994 in Port Washington, Franklin Energy has been delivering turnkey energy efficiency and energy management programs in Wisconsin and across the U.S. and Canada for many years. We hope our longstanding role as an implementation of Focus on Energy programs will result in helpful input as the Commission considers the various alternatives presented in the Memorandum.

Below we have outlined the subject areas in the Memorandum for which we have chosen to provide feedback, suggest recommended alternatives and our rationale for each.

Overall vs. Fuel-Specific Savings Goals

Recommendation: Alternative Two - Establish an overall MMBtu savings goal. Track kWh and therms savings, but do not set fuel-specific savings targets.

Franklin Energy is supportive of continuing MMBtu savings goals but eliminating fuel specific minimum performance requirements (MPRs). MPRs may be appropriate for programs primarily emphasizing energy savings, however stipulating fuel-specific requirements could inhibit the program's transition to decarbonization, as decided in Phase I of Quad IV planning. Eliminating MPRs would provide the Program Administrator maximum flexibility to meet savings targets, respond to market trends, and shift the emphasis of Focus on Energy to decarbonization. In addition, removing MPRs would foster more innovative program delivery tactics and would best support the Phase I planning decision to use Quad IV to explore beneficial electrification.

Should the Commission prefer to retain MPRs throughout Quad IV, Franklin Energy recommends Sub-Alt C and setting the MPR thresholds at 75 percent of fuel-specific goals.

Lifecycle vs. First-Year Savings Goals

Recommend Alternative 1: Status Quo. Maintain a four-year savings goal expressed in lifecycle savings.

As stated in the Memorandum, Focus on Energy has had established lifecycle goals since Quad I. Franklin Energy believes it was and continues to be the right approach. This view is strongly supported by an [analysis from Rachel Gold and Seth Nowak in a 2019 report from ACEEE](#), which pointed to the lifecycle savings methodology, used in Wisconsin and Illinois, as best practice.¹ With first-year savings,

¹ Gold, R. & Nowak, S., "[Energy Efficiency Over Time: Measuring and Valuing Lifetime Energy Savings in Policy and Planning](#)," American Council for an Energy-Efficient Economy, February 2019.

the lasting value of energy efficiency programs, projects and measures are not properly captured, and program design and customer technology adoption decisions are skewed toward short-term view. Taking a lifetime view, however, puts shorter- and longer-term goals into perspective. It is worth noting the impact lifecycle goals have on the ability to recommend behavioral- or operational-based programs, which generally do not achieve the same useful life as retrofit measures. Using Quad IV as a transitional period, however, should provide implementers with latitude to propose pilots or supplemental offerings with secondary targets, like first-year savings or other pertinent KPIs.

Emphasis between Energy and Demand

Recommend Alternative 1: Status Quo. Establish goals based on reductions in energy use and peak demand reduction with more emphasis on energy use savings.

Franklin Energy would urge the Commission to opt for continuing the current practice of prioritizing energy consumption savings over peak demand reduction as the primary measure of performance for Focus on Energy. Demand management is an extremely valuable energy resource, particularly as a form of grid optimization for utilities. Advances in building and equipment control devices offer utilities and third parties the opportunity to engage customers with options to participate in load management programs like never before. Because they are the entities managing both the supply of energy and distribution systems locally, based on customer demand patterns, the utilities know where and when to target demand reduction (and load shifting) participation. Demand management is a cost effective and reliable resource that utilities can integrate into system planning that also supports both pollution reduction and decarbonization.

As stated in Franklin's comments during Phase I of this proceeding, it is important for ongoing collaboration between Focus on Energy and the utilities to ensure consumers who adopt technologies through Focus on Energy programs offering peak load management potential (e.g., smart thermostats) have the option to participate in demand management programs. The converse is true as well: utility demand response participants should also be referred to Focus on Energy whenever possible. Having clear referral processes in place will avoid market confusion and optimize the costs of customer acquisition for both types of programs.

Important note on the availability of federal funding from the United States Department of Energy (US DOE): We encourage the Commission and the utilities to work together – along with service providers such as Franklin Energy – in considering the [US DOE funding programs resulting from the Infrastructure Investment and Jobs Act of 2021](#) when planning demand management programs.² There are several billion dollars in programs available and dedicated to grid infrastructure, including funds intended to advance for demand management (e.g., [Smart Grid Investment Matching Grant Program](#)). Programs like these can be used as an alternative to ratepayer funds to make more advanced, higher cost investments in demand response and grid interactive building technologies that would have tremendous benefit to Wisconsin's energy system and electricity consumers for many years to come.

Emphasis between Business and Residential Programs

Recommend Alternative 1: Status Quo. 60 percent of funds shall be allocated to Business Programs; 40 percent to Residential programs.

Franklin Energy recommends continuing the current budget allocation approach with respect to dividing funding between business and residential programs for the reasons expressed in the Memorandum. First, it is consistent with Wisconsin statute [§196.374 (5m)(a)]. Second, business programs are more

² United States Department of Energy website: <https://www.energy.gov/bil/bipartisan-infrastructure-law-programs>

cost effective than residential programs overall, which benefits all ratepayers contributing to the programs. And lastly, the 2021 *EE Potential Study* cited in the Memorandum indicated that the current approach is advisable. Circumstances with the programs may require modest shifts in the division of budget in a given year, so it is important to provide flexibility to the Program Administrator in meeting the overall MMBtu savings goals cost-effectively.

Renewables (relative to Energy Efficiency) Budgets

Recommend Alternative Four: Do not set a spending maximum for renewables and allow the Program Administrator to allocate funding as necessary to meet the Commission's goals as long as spending aligns with Focus' statutory obligations and Commission policies.

Policy changes over Quad III, namely, to offer prescriptive incentives for solar PV and to eliminate the Renewable Energy Competitive Incentive Program (RECIP), were successful in providing Focus on Energy better response to market trends. Franklin Energy advocates for continuing this path by administering renewable funding as necessary, without an established budget, allowing the Program Administrator improved flexibility within a four-year period. Aside from being burdensome from an administrative standpoint, managing separate Renewable and Core Efficiency budgets is not realistic to how the market functions and all but ensures budget remains unspent.

The aforementioned Quad III policy changes, while favorable, created an unpredictable annual pipeline for remaining renewable technologies: biogas, biomass, wind, and solar thermal. Biogas and biomass projects have substantial savings opportunities within the industrial and agricultural sectors but require years of planning and significant funding. In contrast to solar PV, influencing such projects within a calendar year is all but impossible. Given that business programs see only a handful of biogas or biomass projects a year, the completion of one or two projects commands an unnecessary liability on annual savings goals and incentive utilization. This present challenge can easily be mitigated by removing budget constraints, allowing the Program Administrator and its implementers flexibility to respond to market need and deliver cost-effective savings.

Rural and Underserved Customers

Recommend Alternative 3: Direct the Program Administrator to conduct analysis during the first year of Quad IV to better identify underserved customers, target program offerings, and develop KPIs. Report back to the Commission by March 31, 2024.

Franklin Energy supports the adaptation of KPI(s) to better define and target underserved customers. Similar to the status quo for the Renewable budget, the current Rural budget is cumbersome to administer, and often creates a push-pull dynamic between the Core and Rural budgets, since Rural customers can be provided Core incentives. With up to 83% of Rural customers receiving Core incentives, a similar outcome can be expected by consolidating the two budgets, also allowing the Program Administrator flexibility to reallocate funding on an as-needed basis.

While the Rural designation as defined by the Census Bureau may accurately characterize residential customers, the same is not always true for businesses, whose motivations to operate in a rural area may vary from zoning requirements to access to natural resources or transportation. As such, it is difficult to argue Rural funding, with eligibility solely based on ZIP code, is being administered to customers most in need of additional support. From this position, Franklin Energy is also supportive of Sub-Alternative B to better define underserved businesses and ensure any subsequent KPIs are guiding business programs to meet the needs of the state. Lastly, analysis geared at identifying underserved small business customers in particular, is also likely to inform future small business offerings, absent of customer need, and provide stakeholders with a useful snapshot of opportunity within the state.

On behalf of Franklin Energy, thank you for the opportunity to comment. I affirm that these comments are true and correct to the best of my knowledge and belief. If there are comments or questions about this transmittal, feel free to contact me at lkass@franklinenergy.com or by phone at (646) 522-4070.

Sincerely,

A handwritten signature in blue ink, appearing to read "L. Kass", is placed over a light blue rectangular background.

Lloyd Kass
VP Market Development & Regulatory Strategy

cc: Dean Laube, Jay Boettcher, Leah Maggio